



# Financing Program Support for ARRA Recipients

Introductory Webinar  
November 12, 2009



Welcome!

- All participants are muted.
- If you have technical difficulties, please use the chat window.
- Speakers:
  - Claire Broido Johnson is the Acting Program Manager of the Office of Weatherization and Intergovernmental Programs, and the Efficiency Advisor for the Recovery Act Team.
  - Matthew H. Brown is a partner with Conover Brown and the coordinator of the Financial SWAT Team.
  - Merrian C. Fuller is a researcher at Lawrence Berkeley National Laboratory and a member of the Financial SWAT Team.

1. Introduction & thanks
2. ARRA goals / objectives
3. Resources available to you
4. Guidance for using ARRA funds to set up financing programs
5. Financing program types
6. Tips for successful financing programs
7. Resources



## Financial SWAT Team Members

- Dan Beckley, Department of Energy
  - Brandon Belford, Department of Energy
  - Matthew Brown, Conover Brown
  - Merrian Fuller, Lawrence Berkeley National Laboratory
  - Don Gilligan, National Association of Energy Services Companies
  - Dale Hahs, Energy Services Coalition
  - Jeanine Hull, Strategic Energy Advisors
  - Bret Kadison, Department of Energy
- Contact: [Bret.Kadison@ee.doe.gov](mailto:Bret.Kadison@ee.doe.gov)



- Our goal is to leverage the ARRA investment strategically – we need your help and will provide technical assistance to help you meet this goal.
- **Recovery Through Retrofit**  
[http://www.whitehouse.gov/assets/documents/Recovery\\_Through\\_Retrofit\\_Final\\_Report.pdf](http://www.whitehouse.gov/assets/documents/Recovery_Through_Retrofit_Final_Report.pdf)
- Accessing private capital will be key to increase impact



- Financial SWAT Team
- New website: <http://www.eecbg.energy.gov/solutioncenter/financialproducts/default.html>
- Webinars
  - PACE Webinar on Wednesday, November 18<sup>th</sup>  
Sign Up Here: <http://www.eecbg.energy.gov/solutioncenter/webcasts>
  - Accessing Private Capital (week of 12/4 – date TBA)
  - Revolving Loan Funds (week of 12/11 – date TBA)
  - Introduction to Energy Performance Contracting, December 16th  
Sign Up Here: [http://apps1.eere.energy.gov/wip/tap\\_webinars.cfm](http://apps1.eere.energy.gov/wip/tap_webinars.cfm)
- Key Issue Memos
  - Memo on the use of ARRA funds for financing program available soon.
- Expansion of technical assistance coming soon...

*Let us know what would be most useful to you for  
future webinars, memos, and other support!*



# Guidelines for ARRA Funds



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- This part of the presentation provides guidance on many but not all elements of usage of ARRA funds.
  - We will not address NEPA or Davis-Bacon requirements in this webinar and will provide further guidance in the near future.
- This presentation summarizes a memorandum that will be released in the coming days that describes the same issues and will provide written guidance on these topics.
- Guidelines for the use of SEP and EECBG funds differ because they are based on different statutes and regulations.
- Thanks especially to Jeanine Hull who helped in putting these materials together.



- SEP and EECBG funds can be used to create a loss reserve or for other similar credit enhancements. Indeed, DOE encourages states to leverage SEP and EECBG funds through the creation of such credit enhancement mechanisms.
- SEP funds may not, however, be used for loan guarantees or for loan forgiveness.
  - This would have the effect of transforming the loan into a grant, which is not an allowable SEP activity.
- EECBG funds have no equivalent restriction and may be used as a loan guarantee.



- Defaults on loans may occur, although DOE expects that stimulus fund recipients will take reasonable measures to reduce defaults as much as possible.
  - SEP and EECBG recipients are expected to follow prudent, appropriate and accepted business practices such as requiring collateral, minimum credit standards, the creation of loan loss reserves, acquisition of insurance, and/or other appropriate risk mitigation practices and procedures.



- SEP funds must be expended by April 30, 2012.
- EECBG funds must be obligated within 18 months of the effective date of the award and expended within 36 months of the effective date of the award, and in any instance no later than September 30, 2015.
- Funds in a loan program are considered expended when they have been loaned to a specific borrower.
- It is important to note that funds are not considered expended when obligated to the loan program.



- A full list of eligible activities is available at 10 CFR 420.18 for SEP and at 42 U.S.C. §17154 for EECBG.

In general, however:

- Projects involving research and development are not eligible for funding.
- Projects involving technologies that are not fully developed and tested are not eligible for funding.
- The definition in these two cases refers to projects that are ‘commercially available,’ meaning those technologies that are “available for purchase by the general public or target audience within the state.”
- Projects that reduce energy use, increase energy efficiency or increase the use of alternative/renewable energy sources are eligible for funding.



- SEP grantees may use all or none of their funds in a financing program. No upper or lower limit is imposed upon these funds.
- EECBG grantees may not use more than the greater of \$250,000 or 20% of an entity's allocation to establish a revolving loan fund. This amount includes monies used to capitalize the fund.
- SEP and EECBG funds can be combined into a single fund with private capital. Such leveraging of funds is encouraged.



- Reporting requirements for SEP and EECBG funds used in financing programs are the same as the reporting requirements for other non-financing programs.

# Types of Financing Programs



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- **State and Municipal Revolving Loan Funds** – A pool of funds that capitalize a loan fund; loan repayments recapitalize the fund to allow additional lending on an ongoing basis.
- **Third Party Loans** – A loan program administered by a third party (i.e. not the state or local government; usually a financial institution such as a bank)
- **Energy Savings Performance Contracting (ESPC)** – A financing technique that uses cost savings from reduced energy consumption and operational savings to repay the cost of installing energy conservation and renewable energy measures.
- **Property-Assessed Clean Energy (PACE)** – Allows clean energy improvements to be repaid via an assessment on the property tax bill; repayment obligation and savings transfer with ownership.
- **On-Bill Repayment** – Energy improvements are repaid as part of the utility bill; can be a personal or business loan, or attached to the meter so that repayment transfers with tenancy.

# Market Segments



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	Revolving Loan Funds	Third Party Loans	Energy Savings Performance Contracting	Property Assessed Clean Energy	On-Bill Repayment
Residential	✓	✓		✓	✓
Small Biz	✓	✓		✓	✓
Commercial	✓	✓	✓	✓	✓
MUSH	✓	✓	✓		✓

MUSH = Municipal, Hospital, School, University



# Barriers to Energy Efficiency...



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- Transaction costs
- Lack of information
- Uncertainty about benefits
- Split incentives
- High upfront cost
- Others...



- Financing alone is not enough to increase demand
- Don't expect a single financing mechanism to meet all financing needs (transaction points are impt)
- To have an impact, programs must either
  - a) make financing available to those who don't already have access, or b) offer financing that is attractive enough to induce improvements that wouldn't have happened otherwise



- Credit enhancement\* is critical for...
  - Giving access to credit for those who need it
  - Increasing the use of private capital
- Engage networks of contractors
- Carefully manage costs; SCALE is important for viability
- Make it EASY for both customers AND contractors
- Messages and *Messengers* matter
  - Get support from the organizations and leaders the customer already trusts
  - Use more dynamic, appealing messages



\* Credit enhancement is the process of reducing credit risk by requiring collateral, insurance, a loan loss reserve or other agreements to provide the lender with reassurance that it will be compensated if the borrower defaulted.

**Send feedback & requests for future webinars  
and other technical assistance on financing to:**

Bret Kadison – [bret.kadison@ee.doe.gov](mailto:bret.kadison@ee.doe.gov)

## **Resource Portal for Financing Programs**

<http://www.eecbg.energy.gov/solutioncenter/financialproducts/default.html>

## **Solution Center Website**

<http://www.eecbg.energy.gov/solutioncenter>

## **Technical Assistance Program**

<http://apps1.eere.energy.gov/wip/tap.cfm>